

House Committee on Small Business Member Day Hearing on COVID-19 Response and Recovery
Rep. Jamie Raskin (MD-08)
April 23, 2020

Chairwoman Velazquez, Ranking Member Chabot, and distinguished members of the House Committee on Small Business:

Thank you for holding this critical hearing today and for the opportunity to testify before the Committee about how the COVID-19 pandemic has affected small businesses in Maryland's 8th Congressional District. Over the past few weeks, I have heard from many small business owners—from neighborhood cafes, diners, and auto repair shops to vital non-profits serving our most vulnerable populations, to the self-employed, and sole proprietors—who are fighting to keep their operations afloat, and trying to keep employees on payroll for as long as possible.

In times of crises, our people look to the government for help, and yet the rollout of the Paycheck Protection Program (PPP) was a rocky one. There has been much confusion and well-documented failures from the Trump Administration. Existing problems with the SBA's outdated IT systems for processing applications were exacerbated by a lack of clear guidance from the SBA and Treasury, adding to the confusion for small businesses and lenders. I want to thank you, Chairwoman Velazquez, for your leadership in working to address these issues, hold the Administration accountable, and ensure that the money we appropriated is getting into the hands of the small businesses that the PPP is meant to help.

One of the most common frustrations I have heard from constituents is that SBA-approved lenders are only working with existing customers. This decision made by lenders has prevented many business owners, including sole proprietors, independent contractors, and others who do not have existing business relationships with major banks, from accessing PPP loans. Similarly, business owners who have been rejected by their primary bank have been unable to find another bank willing to work with a new customer, effectively shutting them out of the program.

Along with small business owners in my district who collectively spent thousands of hours pulling together materials for their PPP applications, I was frustrated to see large, publicly-traded companies with armies of lawyers and accountants able to quickly obtain loans for the maximum allowable amount before smaller firms in our communities were even able to apply. In light of reports that many of our nation's largest banks are prioritizing larger companies seeking bigger PPP loans, I have joined my colleagues in urging SBA and the Treasury Department to require PPP lenders to treat all applicants equally. If this is not addressed in their guidance, Congress must take action to ensure that lenders treat all small businesses equally.

Another major concern of small businesses in my district relates to the PPP timeline set forth in the CARES Act. The "covered period" for loan forgiveness in the CARES Act does not align with the current projections for the permitted reopening of businesses in our state. Unless addressed, this misalignment and other restrictions on the use of PPP money will make it impossible for many of these small businesses to survive and keep people employed. We have asked the Treasury Department to issue guidance to allow disbursement of PPP loan proceeds to be delayed and to allow PPP money to be used after June 30, 2020 to help ensure that small businesses can get back up and running. If the Treasury Department does not act, I hope that Congress will fix this problem in forthcoming legislation.

Small businesses are also distressed by the prospect of SBA money running dry within a few days of renewed funding. With the initial \$350 billion that was appropriated in the CARES Act, SBA managed to approve 1.6 million loan applications, yet there are more than 30 million small businesses in America. In

Maryland alone, there are 594,000 small businesses that employ 1.1 million workers, accounting for half of Maryland's private sector workforce. Given the reality of these numbers, we must increase the lending capacity of the PPP to help Maryland businesses and small firms all across our country stay afloat during this challenging time. I have called for an additional \$900 billion for PPP loans and urge my fellow colleagues to support this vital lifeline for our community businesses.

We took important steps in the CARES Act to create the PPP and made eligible for this relief certain nonprofit organizations, such as 501(c)(3) charities and 501(c)(19) veteran organizations, in addition to small businesses. However, the legislation did not make other 501(c) nonprofits, such as labor unions and professional associations, eligible for this relief. As we confront the public health crisis created by the COVID-19 pandemic, 501(c) organizations are confronting the same financial crisis that millions of small businesses are facing. I would encourage us to expand eligibility in future relief packages to help these nonprofit organizations –and others excluded from relief, such as landlords and residential rental property owners –to keep people employed and be ready to resume business when it is safe to do so.

I would also like to raise one other priority that we must address in the days and weeks ahead: protecting the privacy and security of SBA application data. While I appreciate the urgency of setting up the SBA online application portal and loan programs, it should not come at the expense of compromising sensitive information from loan applicants. In light of SBA's discovery that personal information for nearly 8,000 businesses who applied for Economic Injury Disaster Loans (EIDL) may have been compromised, I respectfully ask that you work with the SBA to take proactive measures to protect businesses' personally identifiable information and address any potential vulnerabilities in their outdated systems. COVID-19 has had terrible consequences for our small businesses, which should not have to face additional anxieties about their sensitive information falling into the wrong hands.

Thank you again, Chairwoman Velazquez and Ranking Member Chabot, for holding this hearing on our nation's COVID-19 response, and for your commitment to helping our small businesses recover from this unprecedented crisis.